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HEADLINE: City Council OKs bond for hotel

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BODY:

The District has found a way to dress up its main gateway.

The D.C. Council this week approved a \$40 million tax-increment financing bond to help fund construction of a 400-room luxury hotel on the long-vacant Portals site next to the 14th Street bridge in Southwest.

The \$121 million hotel project, which developer Alan Novak hopes to start building by late spring, is expected to spark development in an area that has one of the most heavily traveled gateways to the District, as well as a link between the Mall and the Southwest waterfront.

"The Portals will now go forward," said Council member Charlene Drew Jarvis, Ward 4 Democrat and chairman of the council's economic development committee.

The approval Tuesday marks only the second time that D.C. officials have approved a tax-increment financing deal. In December, they approved a \$64 million bond for Gallery Place, a huge complex of shopping, apartments, and theaters and other entertainment venues next to the MCI Center.

In this type of financing, the city borrows against tax revenues that the project is expected to generate. Essentially, D.C. officials are betting that the hotel will do well enough to pay for itself without leaving the District on the hook.

The 400-room Mandarin Oriental Hotel, a joint venture of Mr. Novak, Armada Hoffler of Chesapeake, Va., and Hong Kong-based Mandarin, would be located on two acres on Maine Avenue, between 13th and 14th streets, south of Maryland Avenue.

In a bid for tourists, the developers plan to convert an unused railroad bridge over Maine Avenue into a pedestrian walkway linking the Mall and the waterfront. Marinas along the Washington Channel and the Washington Fish and Seafood Market Place are within walking distance across Maine Avenue.

The hotel also would include 30,000 square feet of meeting space - the largest amount after the convention center - in a bid for spillover business from the future convention center, now under construction.

The hotel hopes to do business with telecommunications lawyers, executives and others doing business with the Federal Communications Commission, which is next door, Mr. Novak said.

D.C. and real estate officials hope the hotel helps attract development to the unused land immediately north of the hotel. It can accommodate 1.4 million square feet of new commercial development.

Before construction starts, the congressionally appointed financial control board must approve the bond, which then must be prepared and sold on the investment markets.

The bond was critical - and the biggest hurdle - to the project because financing for expensive hotels has been difficult to line up, Mr. Novak said. That is one reason a hotel has never been built there, despite a city-imposed requirement for a hotel that dates to the early 1980s, when the site was city-owned.

The Portals site has proven rocky ground for developers. The Mandarin is planned on the same site where a previous hotel project started and failed.

"The site has been troubled for 20 years," Mr. Novak said.

GRAPHIC: Map, Mandarin Oriental Hotel, By The Washington Times

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